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Supreme Court of the United States

October Term 1960

No. 364

BILLY ROSE, RAY HENDERSON, and MEL TORSHEN, as Executor of the Estate of Mort Dixon,

Petitioners,

v.

BOURNE, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITIONERS' REPLY TO RESPONDENT'S BRIEF IN OPPOSITION

MORRIS SHILENSKY
120 Broadway
New York 5, N. Y.
Counsel for Petitioners

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Preliminary Statement

This reply brief is addressed to the third question which raises a fundamental issue of law of importance to authors and publishers, under the rule announced in *Rossiter* v. *Vogel* (134 F. 2d 908; id. 148 F. 2d 292 and not yet ruled on by this Court.

Respondent, in its Brief in Opposition, argues that this question involves nothing more than a challenge to the findings below, on evidentiary grounds, and that it only presents a dispute as to "adequacy" of consideration. This is not the case. The Petition did not anticipate this baseless argument of the Respondent. Apparently our restraint in elaborating on our argument has been seized

on by the Respondent and we therefore desire to expand on the points made in the Petition by way of this reply brief.

It is also appropriate, although, irrelevant to the Third Question, to note the inaccuracy of Respondent's accusation that the Petition "omitted to advise" the court that the action was instituted as one for copyright infringement (Resp. Br., p. 11). The Petition clearly describes the history of the litigation and states specifically and repeatedly that it was commenced by Petitioners as an action for copyright infringement (Petition, pp. 5-7).

The issue arises because the Petitioners and Respondent adopted as the method for disposing of rights in Petitioners' song "That Old Gang of Mine" a royalty arrangement under which the sole form of consideration for the grant of rights for the original term, and for the assignment of rights during the renewal term, were various royalties geared to particular rights and uses of the composition. Under their agreement, each royalty was in essence severable consideration for the particular right with respect to which it was provided. The agreement failed to specify any royalty for certain other rights and uses of the song either in the original or the renewal term, and therefore, failed to provide consideration to support the assignment of these particular rights during the renewal term. Obviously no question is presented as to the rights during the original term, for adequacy of consideration is a requirement only for the transfer of the expectant or inchoate rights to the renewal term.

The third question, therefore, raises the issue of whether, under *Bossiter v. Vogel, supra*, the assignment is or is not

effective to convey these particular rights during the renewal term. The issue is of concern to authors and publishers generally because this type of royalty arrangement is one of the most common, if not the most widely used method, of arranging for the publication of books and plays, as well as musical compositions.

The "New Rights" in Issue

The rights which Petitioners contend were not effectively assigned during the renewal term, for lack of consideration, were the rights to use and exploit the song in radio, television and talking motion pictures, by electrical transcription, synchronization or other means. These rights, which are hereafter collectively referred to as the "new rights", came into existence at various times after the execution of the 1923 royalty agreement; and Judge Dimock so held (72a*). At the time the agreement was executed, the industry was not aware that these new fields and methods of use would come into being (35a). Cf. *Rossiter v. Vogel*, 148 F. 2d 292, 294; *Kirke LaShelle Co. v. Armstrong Co.*, 263 N. Y. 79, 85, 188 N. E. 163.

The Error Asserted

The District Court decreed that the assignment provisions of the 1923 agreement conveyed to the Petitioners not only legal title to the renewal copyright but also beneficial ownership of it (73a) and thus, beneficial ownership of all of rights (including the new rights) for the renewal term.

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* References unless otherwise indicated are to the Appendix.

We submit that the District Court erred in declaring the Respondent beneficial owner of the new rights. Under the provisions of the 1923 royalty agreement, the Court could, at most, have decreed that the Respondent held legal title to the renewal copyright and was beneficial owner of the rights secured thereby, other than the "new rights"; and it should have decreed that the Petitioners were beneficial owners of the new rights—because the royalty agreement was ineffective as an assignment of these rights during the renewal term.

The legal relationship of the parties, by reason of this ineffectiveness, is no different than that subsisting where an author grants certain of the rights in a work to a publisher (and also assigns the "copyright"), but reserves other rights under the copyright. The publisher in such circumstances holds legal title to the copyright, but in trust for the author with respect to those rights which the latter has retained. (Cf. *April Productions v. G. Schirmer Inc.*, 308 N. Y. 366, 375, 126 N. E. 2d 283; *Risel v. Loesser*, 1 F. 2d 436).

The Question Presented Is a Question of Law

The question presented is one of law, not as Respondent's brief suggests, one of fact. The issue is whether there was an absence of consideration for the assignment of the new rights; not whether consideration was inadequate. Respondent, indulging in a quotation out of context (Resp. Br., pp. 4-5) suggests that Petitioners have conceded that there was consideration to support an assignment of the new rights, which subsequently became inadequate. This is not so. The statement which Respondent

has partially quoted was that the consideration for the rights other than the new rights might have been adequate (Petition, p. 9).

Determination of the question depends solely upon the legal effect of the 1923 Royalty Agreement, not upon a review of the Findings of Fact, nor of the evidence. That agreement is before the Court, as was the agreement in *Manners* v. *Morosco*, 252 U. S. 317, where the Court grounded its decision on its interpretation of the contract, rejecting the construction which the lower Courts had adopted.

No Consideration Is Provided in the 1923 Agreement for the Assignment of the New Rights in the Renewal Term

Petitioners submit that, when the royalty agreement was executed in 1923 it was, on its face (and always has been), totally lacking in any consideration for the assignment of the new rights during the renewal term.

The payments on the uses of publication and mechanical reproduction, under the two royalty clauses in the agreement, were not consideration for separate and different uses of the song in radio, television and motion pictures. Nor could the rate of royalty prescribed in either of these clauses be applied to the new uses (to furnish the missing consideration).

Each of the royalties specified was geared to one of the means of exploitation then known to the industry; one was a royalty on the publication of sheet music; the other a royalty on recordings of the song on piano player rolls,

discs and other means of "mechanical reproduction". (76a-77a). [No royalties were provided for public performances for profit; both Petitioners and Respondent received royalties for non-dramatic public performances from the American Society of Composers, Authors and Publishers (72a).]

Each of these royalties was severable consideration, to be paid in exchange for the privilege of exercising the right to which it was geared and with respect to which it was paid. (Cf. *April Productions* v. *G. Schirmer Inc.*, 308 N. Y. 366, 376, 126 N. E. 2d 283; *Manners* v. *Morosco*, 252 U. S. 317, 326).

It cannot be assumed in the absence of a specific provision that the payment of royalties on the uses of publication and mechanical reproduction were intended as consideration for separate and different uses of the song on radio, television and talking motion pictures. Such a reading of the contract contradicts the intention which it expresses and would defeat the purpose of a royalty arrangement which is to permit the author to share in the proceeds of exploitation of each right controlled by the publisher. Payment of 2c for each copy of sheet music which the Respondent withheld (a payment it was in any event obliged to make) would not give the Petitioner a share in the proceeds from the use of the song in a motion picture, which might amount to thousands of dollars.

Moreover, the contract precludes this interpretation. Where it was intended that the publisher be excused from paying royalties, with respect to particular uses, the agreement said so plainly and described the excluded uses (Par. 3(c); 77a). The specific description of these excluded uses

... not mention the new uses in radio, television or talking motion pictures, either in express terms, nor by any general provision that Respondent would not be required to pay royalties with respect to any uses or rights not then known, or which might thereafter come into existence.

Since the parties failed to agree upon and stipulate in the contract the consideration for Petitioner's undertaking to assign the new rights for the prospective renewal term, the agreement to assign them is lacking in consideration. *Boosey v. New York Press Co.*, 164 N. Y. 406, 410, 58 N. E. 527; *Blackwell v. Aviation Co.*, 208 App. Div. 317, 203 N. Y. Supp. 380, affd. 239 N. Y. 545, 147 N. E. 188.)

The missing consideration, a specified royalty for the new rights, cannot be supplied now by applying the "mechanical reproduction" royalty as the measure of Respondent's obligation to make payments for the new uses. The agreement describes the types of uses for which the mechanical royalty was to be consideration: recording of the song on playrolls, disks, records, or other devices for mechanical reproduction; in other words, the methods of mechanical reproduction which were then known and which are the methods included in Section 1(e) of the Copyright Act. The new uses in talking motion pictures, television and radio are entirely different—both as to technical methods, the uses made of the song by the motion picture or television producer, and the type and amount of consideration paid therefor. Thus it has been held that the use of a musical composition in talking motion pictures, by means of synchronization, is a separate and distinct use from the right of "mechanical reproduction" (*Bryan v. Twentieth Century Fox Film Corp.*, 67 F. Supp. 736, affd. 165 F. 2d 784).

The agreement should not be re-written by a court to apply the royalty which the parties established for one set of uses as the royalty for another and different set of uses.

The trial court made no finding that the new uses were means of "mechanical reproduction"; nor did it find that the language of the "mechanical reproduction" royalty clause embraced the new uses. In its opinion, it observed that the new uses had been treated as "mechanical reproductions" and royalties paid "accordingly" in the original terms (82a). But there is no finding that the parties had agreed, expressly or implicitly, that such payments were being made under the "mechanical reproduction" clause only that they were paid at the same rate; they may have been made gratuitously by mistake or by tacit understanding during the original term to avoid dispute.

It is apparent from the record that neither Respondent's counsel nor the Court considered that the payments during the original term indicated that the parties construed the agreement to mean that the new uses were within the "mechanical reproduction" royalty clause. On the contrary, the court indicated its belief that there was no agreement between the parties on this question; and Respondent's counsel noted his client's view that it was not obligated under the agreement to pay any royalties on the new uses (62a, 63a).

The fact that Respondent made such payments during the original term could not vary the meaning of the agreement: if no obligation is imposed by the agreement to pay royalties during the renewal term for the new uses, the conduct of the parties could not supply it, nor change the terms of the contract. (*Hogan and Plays, Inc. v. Kempner*, 267 N. Y. 380, 385, 189 N. E. 467.)

Since Petitioner chose to provide royalties on a severable basis, attributable to each of the then known uses (rather than, for example, to establish one royalty payable out of all proceeds of the composition), the assignment provisions of the agreement must have the same effect as if the right had been assigned separately (*American Society of Composers, Authors & Publishers v. Rosenthal*, 206 Misc. 486, 133 N. Y. Supp. 2d 870, aff'd. 1 App. Div. 2d 652, 147 N. Y. Supp. 2d 1006; *Hapgood v. Grand Rapids Gas Co.*, 117 F. 2d 166).

The assignment of the new rights for the renewal term, without any royalty or other consideration being provided therefor, is as ineffective (under *Rosette v. Rupp*, *supra*) as if the new rights had been assigned for the renewal in a separate instrument which did not express any consideration. And, if the agreement is ineffective to convey the new rights, the resulting relationship of the parties is no different than that which would have been created if these new rights had not, in the first instance, been conveyed in the agreement along with the title to the copyright and the rights of publication and mechanical reproduction. As the court said in *April Productions v. G. Schirmer, Inc.*, 308 N. Y. 366, 126 N. E. 2d 283:

> "And, after obtaining the copyrights in this case, Schirmer held them in trust for Shubert to the extent that the latter reserved all rights except publication and mechanical rights, that is, the rights on which royalties were to be paid. (*See Boyd v. Robinson*, 1 F. 2d 436; *Ford v. Blanco Amusement Co.*, 148 F. 2d 642; *Quinn-Brown Pub. Corp. v. Chilton Co.*, 15 F. Supp. 213, 214)." (at p. 375)

Judge Dimock also declared in his opinion that the amount paid as royalties to the Petitioner during the orig-

inal term, some $35,000. (71a), constituted adequate consideration to support the assignment of the renewal copyright and, thus, presumably the new rights (83a). We respectfully submit that this conclusion is erroneous. The obligation to pay royalties during the original term was consideration for the grant during that term; it was not consideration for the assignment of the renewal copyright, nor of the rights thereunder during the renewal term. It is apparent that the consideration for the assignment during the renewal term, can be found only in such obligation as was expressly undertaken to pay royalties during that term.

The royalties paid by Respondent during the original term could only be consideration for the grant of rights during that period; the payments were measured by uses made during the original term; and Respondent was obliged under the agreement to make these payments whether or not it obtained the renewal copyright. Thus, had all the authors died in the first year of the original term, the Respondent had nonetheless been obliged to pay royalties as set forth in the original agreement, even though under the renewal clause (Section 24) the renewal copyright would no longer come to it.

Moreover, had the publisher failed to pay royalties during the renewal term, Petitioner would have been entitled to terminate the agreement and to recover the renewal copyright. In re *Waterson, Berlin & Snyder Co.*, 48 F. 2d 704, 710; *Broadcast Music, Inc.* v. *Taylor*, 10 Misc. 2d 9, 23, 55 N. Y. Supp. 2d 94, 104. It would have been no defense that royalties had been fully paid during the original term

The trial court also observed that Petitioners were not entitled to "rescind" the renewal copyright because they had not offered to return the consideration that they received during the original term. There is no need to "rescind" the 1923 agreement; in declaring the rights of the parties under it, the Court should have decreed that by reason of the lack of consideration, it was unenforceable to assign the new rights during the renewal term (*Rossiter v. Vogel*, 148 F. 2d 292, 293).

Moreover, where an author seeks to terminate an agreement such as this, he is not required to return the royalties previously paid to him by the publisher for uses made during the period in which the publisher possessed and exploited the rights. (*Hurst v. Tryg Printing and Book Binding Co.*, 2 Misc. 361, 22 N. Y. Supp. 371, aff'd. 142 N. Y. 637, 37 N. E. 566; *De Bekker v. Frederick A. Stokes Co.*, 165 App. Div. 152, 153 N. Y. Supp. 1056, aff'd. 220 N. Y. 573, 114 N. E. 1064; *De Witt Co. v. Cason*, 121 Misc. 78, 201 N. Y. Supp. 20; *Ritter v. World Film Corporation*, 180 App. Div. 475, 167 N. Y. Supp. 1027).

The trial court said that Respondent was entitled to all the rights for which it bargained, or to have the bargain rescinded (58a). But the parties did not bargain for the new rights—they failed to provide any consideration for them, for the obvious reason that they did not know of them or even contemplate their existence. If Petitioners' contention is correct, Respondent will have received, during the renewal term, everything it agreed to pay for in 1923; those rights for which consideration was provided, in the form of specified royalties and title to the copyright. It was in contemplation of receiving the rights for which royalties were provided that Respondent decided

to publish the song; it was in contemplation of profits which it would derive from the uses then known, and share with Petitioners, that it fixed the royalty rates offered to them.

Without the new uses during the renewal term, Respondent would be in no worse a position than it would have been had the new uses and rights never come into existence; particularly so since these do not in any way interfere with the enjoyment of the rights for which royalties were provided.

The fact that these rights have materialized since the execution of the agreement, as the result of scientific advances, does not entitle Respondent to have them during the renewal term, when it failed to provide consideration for them.

This result of the Respondent's own choosing; the royalty agreement was its standard form (32a; 34a). It could have agreed to pay a lump sum for all renewal rights; it could have agreed to pay, during the renewal term, a royalty on all uses of the composition; or it could have specifically provided in the agreement that it would only pay royalties on certain of the rights, but that these were to be the consideration of all of the rights. However, it did none of these things; it only obligated itself to pay separate royalties with respect to particular uses which it intended to make as of the time of the agreement; and in specifically absolving itself from the obligations to pay on other specified uses, it did not include the new uses either by explicit provision, or by any general provision.

In construing the terms of the agreement, as an assignment of rights during the renewal period, the Courts below

obviously did not conform to Judge Clark's admonition in *Rossiter v. Vogel, supra*:

> "that the circumstances justifying the transfer of the right of renewal must be stronger than those justifying the transfer of the copyright, since the right of renewal is separate from the original copyright. *(Shapiro, Bernstein & Co. v. Brier*, 2 Cir., 123 F. 2d 697.)" (134 F. 2 at pp. 910-911).

Nor, we submit, was the contract construed in keeping with the principle expressed in *Warner Bros. Pictures Inc. v. Columbia Broadcasting System Inc.*, 216 F. 2d 945; cert. den. 348 U. S. 971;

> "As was said in *Phillip v. Jerome H. Remick & Co.*, S. D., N. Y., Op. No. 9999, 1936, 'Such doubt as there is should be resolved in favor of the composer. The clearest language is necessary to divest the author of the fruits of his labor. Such language is lacking here.' See, also, *Fahmi v. Carl Fischer, Inc.*, 1942, 263 App. Div. 503, 507, 33 N. Y. S. 2d 294, 299, affirmed 1942, 289 N. Y. 727, 46 N. E. 2d 347." (at p. 949)

CONCLUSION

It is respectfully submitted that the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

MORRIS SHILENSKY
Counsel for Petitioner

LEWIS KARP
Of Counsel